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# Agnico Mines L I M I T E D

ANNUAL  
REPORT

1964  
FOR THE YEAR ENDED DECEMBER 31,

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*The Directors of*

**AGNICO MINES LIMITED**

*Present the*

**ANNUAL REPORT**

**TO THE SHAREHOLDERS**

For the Year Ended December 31st

**1964**

**OFFICERS  
and  
DIRECTORS**

NORMAN B. SHERIFF President and Director	PAUL PENNA Vice-President and Managing Director
C. MARSHALL HAMES Secretary-Treasurer and Director	JAMES E. ARMSTRONG Director
MILTON KLYMAN Director	JOHN J. VORBACH, JR. Director
IRVING F. DOBBS, Director	

**MINE MANAGER**

JAMES E. ARMSTRONG, B.Sc., P.Eng.

# **AGNICO MINES LIMITED**

**REGISTRAR AND TRANSFER AGENT**

GUARANTY TRUST COMPANY OF CANADA  
Toronto, Ontario

**AUDITORS**

THORNE, MULHOLLAND, HOWSON & MCPHERSON  
Chartered Accountants  
Toronto, Ontario

**BANKERS**

CANADIAN IMPERIAL BANK OF COMMERCE  
(City Hall Branch)  
Toronto, Ontario

**EXECUTIVE OFFICE**

62 Richmond St. W.  
Toronto, Ontario

**MINE OFFICE**

Cobalt, Ontario

**ANNUAL MEETING**

June 30, 1965, Mayfair Room,  
King Edward Sheraton Hotel, Toronto, Ontario  
11:00 a.m. (Toronto Time)

## DIRECTORS' REPORT

To the Shareholders,  
AGNICO MINES LIMITED:

Your Directors are pleased to submit the audited financial statements for the year ended December 31, 1964, and also the report of the Mine Manager, which provides some details of mine operations and exploration results. The following is a summary of these reports, along with a general review of developments since the end of the fiscal year.

The year 1964 marked an important turning point in the operations of the company. Late in the year, the heavy exploration program initiated some 12 months earlier, was productive of at least one, and possibly two entirely new silver producing properties.

The first is the 407 Shaft property where a new mine has been confirmed and is now rapidly developing into a main production unit of above mine average grade ore. While the "North Vein," which was reached about mid-year from the existing 300-ft. level about 300 feet north of the shaft, provided a modest supplement to mill feed, this property did not become a significant factor in production until early this year.

It was mid-January of 1965 that the crosscut on the new 365-ft. level reached the first of two major new ore zones indicated by previous surface and underground drilling, approximately 300 feet and 1,000 feet, respectively, southeast of the shaft. Lateral work, which has to date been confined to the ore zone located about 300 feet southeast of the shaft and on the 365-ft. level only, has shown a continuity of ore structure that is considered exceptional for the Cobalt Camp where ore shoots are often quite short.

The 36-1 vein and 36-4 cross vein have now been drifted for a combined distance of about 650 feet

of continuous ore. A total of 17 holes were drilled in an area extending up to 1,500 feet by 1,000 feet, yielding 24 significant silver intersections. This is all considered potential ground. There are many silver intersections still uncorrelated and undeveloped, but the first ore developed 300 feet southeast of the shaft suggests we will be systematically developing a complete network of silver veins as lateral work progresses.

The original shaft on the 407 property was sunk by the Nipissing Mines back in 1925 with the bottom level established at 300 feet. At this horizon much of the earlier work was in the Nipissing diabase which overlies the Cobalt sediments in which most of the recent discoveries in the Camp have been made. As a result of the drill disclosures to the southeast of the shaft, intersecting silver values in the apparently unexplored Cobalt sediments, a decision was made to deepen the existing shaft to open up two new levels, at 365 feet and 430 feet.

There is an obviously big underground program to be carried out in this sector of the 407 property, requiring probably several thousand feet of lateral work to thoroughly explore and develop the area which is approximately defined as being 1,000 feet by 1,500 feet where the widespread silver values were intersected. We intend to equip this property for full-scale production this summer and it is expected to supply 2,400 tons of mill ore per month by September, and 3,200 tons per month by December. Preparation for this will entail a heavy development program on the new 365 and 430-ft. levels.

The necessary surface plant can be equipped at fairly nominal cost, utilizing surplus hoist, substations and other equipment from other units owned by the company.

## DIRECTORS' REPORT (Continued)

The influence of the ore drawn from the 407 property in terms of silver recovery was demonstrated in the sharp increase of silver production from 52,918 ounces in January, to 87,209 ounces in February. In the first four months of this year, silver production totalled 312,099.60 ounces. The increase is directly attributable to the ore from the 407 property, which for the most part was development rock.

A very recent, and potentially very significant new discovery has been made on the 407 property, about 500 feet northwest of the shaft, and 30 feet west of the north crosscut of the old 300-ft. level. An exploratory hole, N62, intersected a high grade silver vein visually estimated to run better than 6,000 ounces silver per ton across a three-inch vein width, at a distance 26.0 feet west of the crosscut. There was ruby and leaf silver in the adjacent conglomerate wallrock extending for three feet on both sides of the vein. Another hole drilled from the same location and directed to the southwest, intersected 37.2 ozs. silver across 6.5 feet at 126 feet; and 12.5 ozs. silver across 3.6 feet at 136 feet.

The crosscut has been extended to open up this new high grade silver discovery and on latest reports the vein had been drifted for a distance of 60 feet.

### CART LAKE PROPERTY

The Cart Lake property was the second to respond to the heavy exploration program undertaken by the company beginning in late 1963 and continuing throughout 1964. The Cart Lake shaft, located about 3,000 feet west of the 407 shaft, has been rehabilitated and a new hoist installed. It is now ready for underground exploration and development. The program recommended for this property

is an extensive one, consisting of a minimum 600 feet of drifting and crosscutting, and 100 feet of raising, at an estimated expenditure of about \$70,000.

### FINANCIAL

The benefits of the long range exploration program are not evident in the 1964 operating results since there was no appreciable ore drawn from the 407 property until early this year. In spite of the substantial increase in exploration and development expenditures, a balance between production revenue and operating costs was maintained, with a modest operating profit (before tax write-offs) shown for the year.

During the past year, \$380,000 in additional working capital was made available through a firm underwriting of treasury shares.

As shown in the Mine Manager's report, metal recoveries were moderately higher, due to improved extraction efficiency rather than any increase in tonnage milled or grade of ore treated. The results of the heavy expenditures for basic exploration have naturally influenced earnings in 1964. This is now changing, as demonstrated in the silver production totalling 312,099.60 ounces in the first four months of 1965, which compares with 730,709 for the full 12 months of 1964.

The current average production rate is around 85,000 ounces of silver per month, and it is expected that this will be progressively increased to an initial objective of 100,000 ounces per month during 1965. This compares with a monthly average of around 60,000 ounces during 1964. Custom milling made an important contribution to operating revenues in

1964, and it is planned to continue this policy of utilizing excess milling capacity until such time as it is required for our own mine operations.

An application for the exemption from corporate income taxes, to which new mines are entitled for the initial three years of production, is now under preparation. There does not appear to be any reason why such an exemption should not be granted in respect to the 407 property. Since the 407 property is destined to be a main production unit, there are important tax advantages to be gained.

Feasibility studies are still continuing to determine the best way to obtain the maximum profit from mine tailings reclamation. The tailings stockpile comprises about one million tons containing about four ounces of silver per ton. Test work has indicated that a 60% recovery by simple flotation without regrinding is possible.

#### SILVER PRICES

The price of silver remained stable at \$1.393 per ounce in Canadian funds, or \$1.293 in U.S. funds. It is generally conceded that the United States Treasury Department will make a concerted effort

to maintain silver prices at the present level until the serious coinage problem has been resolved. The short-fall of new mine production over industrial consumption, alone, is an adequate basis to expect that silver prices will inevitably climb to higher levels.

#### SUMMARY

Your Company intends to continue a policy of maintaining exploration at a high level, progressively testing the very considerable ground owned in the most productive section of the Cobalt Camp.

The Board of Directors acknowledges the efficient work of the technical personnel and mine employees, and the continued loyal support of shareholders.

On behalf of the Board of Directors,

"N. B. SHERIFF",  
President.

May 21, 1965.

# BALANCE SHEET — December 31, 1964

(With comparative figures for 1963)

## ASSETS

### CURRENT ASSETS:

Cash .....
Short-term deposit .....
Smelter settlements outstanding and concentrates in transit, at estimated net realizable value .....
Concentrates and high-grade ore on hand, at estimated net realizable value .....
Accounts receivable .....
Supplies, at cost .....
Prepaid expenses .....

### DEPOSITS:

Power contracts .....
Other .....

### INVESTMENTS IN WHOLLY OWNED SUBSIDIARY COMPANIES, AT NOMINAL VALUE (note 1) .....

### FIXED ASSETS:

Buildings, machinery and equipment (note 2) .....
<i>Less Accumulated depreciation</i> .....

### Mining properties (note 3) .....

### DEFERRED EXPENDITURES:

Operating .....
Development .....

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable and accrued expenses .....
Royalty income received in advance .....

### SHAREHOLDERS' EQUITY:

Capital stock (note 4):
Authorized, 5,000,000 shares, par value \$1.00 each .....
Issued, 3,434,327 shares (2,834,327 shares in 1963) .....
<i>Less Discount thereon</i> .....

### DEFICIT .....

# AGNICO MINES LIMITED

*Incorporated under the laws of Ontario*

1964	1963
7,754	21,148
325,000	
271,391	262,106
20,038	61,116
11,778	15,516
31,369	26,587
8,867	15,882
<u>676,197</u>	<u>402,355</u>
17,421	18,046
1,250	1,250
<u>18,671</u>	<u>19,296</u>
2	2
1,560,930	1,737,511
1,469,534	<u>1,620,139</u>
91,396	117,372
328,561	328,561
<u>419,957</u>	<u>445,933</u>
8,136	8,146
181,167	
<u>189,303</u>	<u>8,146</u>
<u>\$1,304,130</u>	<u>\$ 875,732</u>
119,593	73,868
6,915	6,875
<u>126,508</u>	<u>80,743</u>
3,434,327	2,834,327
1,053,650	833,650
2,380,677	2,000,677
1,203,055	1,205,688
1,177,622	794,989
<u>\$1,304,130</u>	<u>\$ 875,732</u>

## AUDITORS' REPORT

*To the Shareholders of  
AGNICO MINES LIMITED:*

*We have examined the balance sheet of Agnico Mines Limited as December 31, 1964 and the statements of income and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

*In our opinion the accompanying balance sheet and related statements of income and deficit present fairly the financial position of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*

*Our examination also included the accompanying summary of changes in financial position which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in the financial position of the company for the year ended December 31, 1964.*

THORNE, MULHOLLAND, HOWSON & MCPHERSON,  
*Chartered Accountants.*

*Toronto, Canada,  
February 3, 1965.*

Approved on behalf of the Board:

PAUL PENNA, Director.

C. MARSHALL HAMES, Director.

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1964

### 1. SUBSIDIARY COMPANIES:

The accounts of the subsidiaries, Cobalt Properties Limited and Medusa Mines Limited, have not been consolidated herein because they are inactive.

### 2. BUILDINGS, MACHINERY AND EQUIPMENT:

Buildings, machinery and equipment are valued on the basis of an appraisal made by Dominion Appraisal Company Limited on May 8, 1953, with subsequent additions at cost.

### 3. MINING PROPERTIES:

Mining properties acquired at the time of incorporation of the company are carried at a nominal value of \$1.00, with subsequent additions at cost.

### 4. CAPITAL STOCK ISSUED:

	No. of shares and par value	Discount thereon	Net
Balance at beginning of year .....	2,834,327	833,650	2,000,677
Add Shares issued during year, for cash .....	600,000	220,000	380,000
BALANCE AT END OF YEAR .....	<u>\$3,434,327</u>	<u>\$1,053,650</u>	<u>\$2,380,677</u>

### 5. SUPERVISION, MINE OFFICE AND GENERAL EXPENSES AT THE PROPERTY:

In 1964 the company began distributing supervision, mine office and general expenses at the property to mining and development, milling and transportation of ore.

### 6. REMUNERATION OF DIRECTORS:

Remuneration of directors, as such, amounted to \$600 in 1964 and \$2,275 in 1963.

## STATEMENT OF INCOME

Year ended December 31, 1964

(With comparative figures for 1963)

### REVENUE:

	1964	1963
Production of metals .....	998,512	953,959
<i>Less</i> Marketing expenses .....	<u>78,955</u>	<u>76,285</u>
	919,557	877,674
Custom milling .....	127,956	38,170
Royalty income .....	<u>18,460</u>	<u>28,625</u>
	1,065,973	944,469

### OPERATING EXPENSES:

Mining and development .....	716,140	567,195
Milling .....	208,194	143,507
Transportation of ore .....	48,881	34,824
Royalty expense .....	10,886	28,626
Supervision, mine office and general expenses at the property (note 5) .....		147,473
Administration .....	<u>40,095</u>	<u>49,176</u>
	1,024,196	970,801
Income (loss) before depreciation .....	41,777	(26,332)
Depreciation .....	<u>39,144</u>	<u>50,278</u>
<b>NET INCOME (LOSS) FOR YEAR .....</b>	<b>\$ 2,633</b>	<b>(\$ 76,610)</b>

## STATEMENT OF DEFICIT

Year ended December 31, 1964

Deficit at beginning of year .....	1,205,688	
Net income for year .....	2,633	
<b>DEFICIT AT END OF YEAR .....</b>	<b>\$1,203,055</b>	

## SUMMARY OF CHANGES IN FINANCIAL POSITION

**Year ended December 31, 1964**

	1964	1963	Variation
Current assets . . . . .	676,197	402,355	273,842
Current liabilities . . . . .	126,508	80,743	(45,765)
Working capital . . . . .	549,689	321,612	228,077
Deposits . . . . .	18,671	19,296	(625)
Investments in wholly owned subsidiary companies . . . . .	2	2	
Fixed assets (net) . . . . .	419,957	445,933	(25,976)
Deferred expenditures . . . . .	189,303	8,146	181,157
<b>SHAREHOLDERS' EQUITY</b> . . . . .	<b>\$1,177,622</b>	<b>\$ 794,989</b>	<b>\$ 382,633</b>
<hr/>			
Represented by:			
Capital stock . . . . .	3,434,327	2,834,327	
Discount thereon . . . . .	1,053,650	833,650	
	2,380,677	2,000,677	
Deficit . . . . .	1,203,055	1,205,688	
	\$1,177,622	\$ 794,989	

The increase in working capital, amounting to \$228,077 as shown above, is the result of the following factors:

## FUNDS MADE AVAILABLE:

Proceeds from issue of capital stock . . . . . 380,000

By operations:

Net income for year . . . . .	2,633		
<i>Add</i> Depreciation, which does not involve an outlay of funds . . . . .	39,144		41,777
Reduction of power contract deposits . . . . .		625	422,402

### FUNDS APPLIED:

Deferred expenditures .....	181,157
Additions to fixed assets, less proceeds from disposals .....	13,168
<b>RESULTING INCREASE IN WORKING CAPITAL .....</b>	<b>\$ 228,077</b>

## MANAGER'S REPORT

The President and Directors,  
AGNICO MINES LIMITED,  
Suite 201C — 62 Richmond St. W.,  
TORONTO 1, Ontario.

May 11, 1965.

Gentlemen:

It is my pleasure to submit the following report for your consideration. The report covers your Company's operations in the Cobalt Area during the fiscal year ending December 31, 1964, together with a brief coverage of developments in 1965.

### PRODUCTION

The main source of our production continued to be the O'Brien and Lode-Christopher properties. Although several high grade shoots were encountered at these properties, the average grade of ore mined remained relatively low. Development work at the Nipissing 407 property provided a modest additional tonnage of better than average grade. The progressively increasing volume of ore from Nip. 407 only became a major production factor early in 1965.

The average monthly production of 60,000 ozs. in 1964 has been steadily increasing in 1965.

Custom milling continued throughout the year and provided an additional source of revenue.

The following resume is a comparative summary of the main production items:

METALS PRODUCED	1964	1963
Silver (ounces) .....	730,709	710,772
Cobalt (pounds) .....	92,107	73,320
Copper (pounds) .....	107,318	80,726
Nickel (pounds) .....	22,974	19,417

### MINING AND MILLING FACTORS

Tons broken .....	71,633	76,752
Tons hoisted .....	70,382	67,157
Tons milled (Agnico) .....	71,489	67,210
Calculated head ounces silver per ton .....	11.18	11.64
Recovery ounces silver per ton .....	10.21	10.57
Extraction efficiency % .....	91.32	90.82
Custom ore milled tons .....	33,703	9,542
Total ore milled .....	105,192	76,752
Gross Value of metals sold .....	\$998,512.51	\$953,949.49
Gross value per ounce of contained silver .....	\$1.37	\$1.34
Average price per ounce of silver paid for .....	\$1.39	\$1.39

## EXPLORATION

Generally speaking our expanded exploration program was highly successful in 1964. At Nipissing 407 at least two major silver zones were located in virgin ground by underground and surface drilling. At the Cart Lake property surface drilling obtained high grade and medium grade silver intersections in a completely undeveloped area. At the O'Brien and Lode-Christopher property short hole diamond drilling and exploration of known veins continued to locate new silver zones and maintain these production units. Exploration of the Ibsen Mayfair Professor units has not provided any encouraging results to date.

## DEVELOPMENT

O'BRIEN — New silver zones were located above the 1st level in the west section of the property, on the 1st level just south of #6 vein system, in the #16 shaft area at the 4th level and the 49 vein zone of the 5th or winze level. All these zones were developed and provided the basic production from this unit in 1965. It was necessary to re-equip the main winze and rehabilitate the old workings to reach the ore on the 5th level.

LODE-CHRISTOPHER — Three basically new ore zones were located and developed on this unit during 1965. These zones are near #15 vein above the 500' level and 4400 and 4700 veins about 50' above the 400' level on the Christopher and 4200 vein starting 30' above the 400' level of the Lode.

NIPISSING 407 — Silver ore was first located in the north section of this property on the 2nd level and this was entered and developed about mid-year. Coincidental with this work, two major ore zones were located, the first about 1000 feet east and the second about 300 feet east of the shaft. The decision was taken to deepen the present shaft to provide two new levels at 365 and 430 level horizons. This deepening was completed late in November and crosscutting on the 365' level entered the first ore zone in mid January 1965. Subsequent development has fully confirmed the probability that this property will be a major silver producer.

CART LAKE — This new silver zone was located by surface drilling, late in October, about 500 feet south of the old Cart Lake shaft. An access road was built and a contract let to construct a headframe, hoist house, and rehabilitate the shaft. This will provide us with access to this newly found ore and the adjacent 86 shaft workings. Cart Lake could quite possibly develop into another production unit in 1965.

The following is a tabulation of exploration and development in 1964.

	1964 Footage	Unit Cost	1963 Footage	Unit Cost
Shaft Sinking .....	117	\$236.23	—	—
Crosscutting & Drifting .....	6,031	24.89	4,108	\$17.97
Raising Feet .....	3,594	16.20	2,150	12.93
Diamond Drilling (U.G.) .....	51,895	3.42	42,390	3.31
Diamond Drilling (Surface) .....	17,637	3.68	—	—

## GENERAL

BUDGETARY CONTROL — Every effort was made to carry out a strong comprehensive exploration and development program for new ore within the limits of our production revenue.

## SPECIAL EXPENDITURES

Basic special expenditures in 1964 were:

At Nip 407, shaft house, ore bin, temporary dry and 117 feet of shaft deepening were completed.

At Cart Lake — a new headframe, hoist room, shaft collar and access road were constructed.

MILLING — A modest expenditure in equipment and circuit adjustments provided a saving in power cost and improved the value of our concentrates.

LABOUR RELATIONS — Effective Jan. 1/65, the wage rate scale was increased by 4¢ per hour on all classifications.

LEASES — During 1964, the Penn Canadian and Temiskaming property leases were maintained in good standing by the Lessees. The Gilgreer property lease was in default.

CONCENTRATE TREATMENT — Our silver concentrate and crude bullion shipments were processed by Cobalt Refinery and Noranda Mines under satisfactory tariff arrangements.

COBALT ORE — About 1,500 tons of stockpiled cobalt ore were milled and the concentrate sold at 80¢ per lb. of contained cobalt. Although there was considerable interest evident in purchasing cobalt, there is not yet a market at a price high enough to allow Agnico to mine its extensive cobalt zones for cobalt alone.

I very much appreciate the work of our employees, staff, Board of Directors and Mother Nature who have cooperated so effectively as to provide Agnico with a bright new future.

Respectfully submitted,

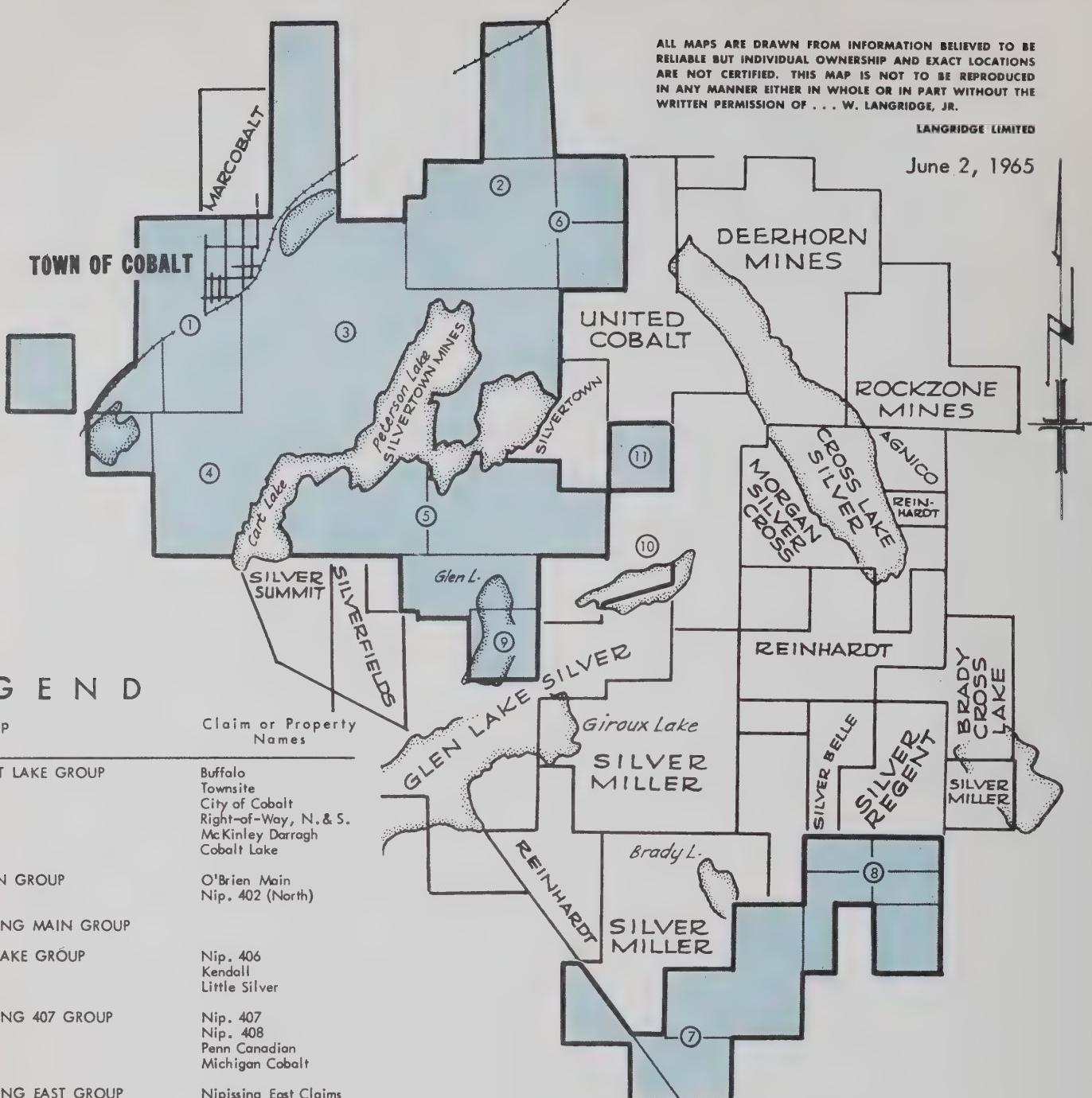
AGNICO MINES LIMITED,

J. E. ARMSTRONG, B.Sc., P.Eng.,  
Manager.

ALL MAPS ARE DRAWN FROM INFORMATION BELIEVED TO BE RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS ARE NOT CERTIFIED. THIS MAP IS NOT TO BE REPRODUCED IN ANY MANNER EITHER IN WHOLE OR IN PART WITHOUT THE WRITTEN PERMISSION OF . . . W. LANGRIDGE, JR.

LANGRIDGE LIMITED

June 2, 1965



## AGNICO MINES LIMITED

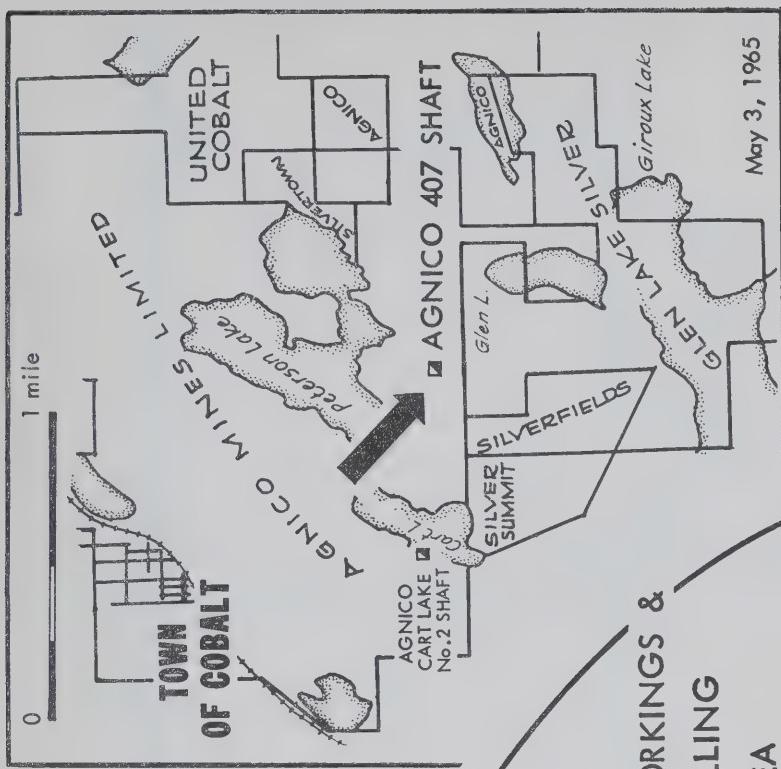
### HOLDINGS in the COBALT SILVER AREA

### ONTARIO

0                          1 mile

ALL MAPS ARE DRAWN FROM INFORMATION BELIEVED TO BE  
RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS  
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WRITTEN PERMISSION OF . . . W. LANGRIDGE, JR.  
LANGRIDGE LIMITED

June 2, 1965



AGNICO UNDERGROUND WORKINGS &  
SURFACE DIAMOND DRILLING  
in the 407 SHAFT AREA

0 200 400 600  
FEET

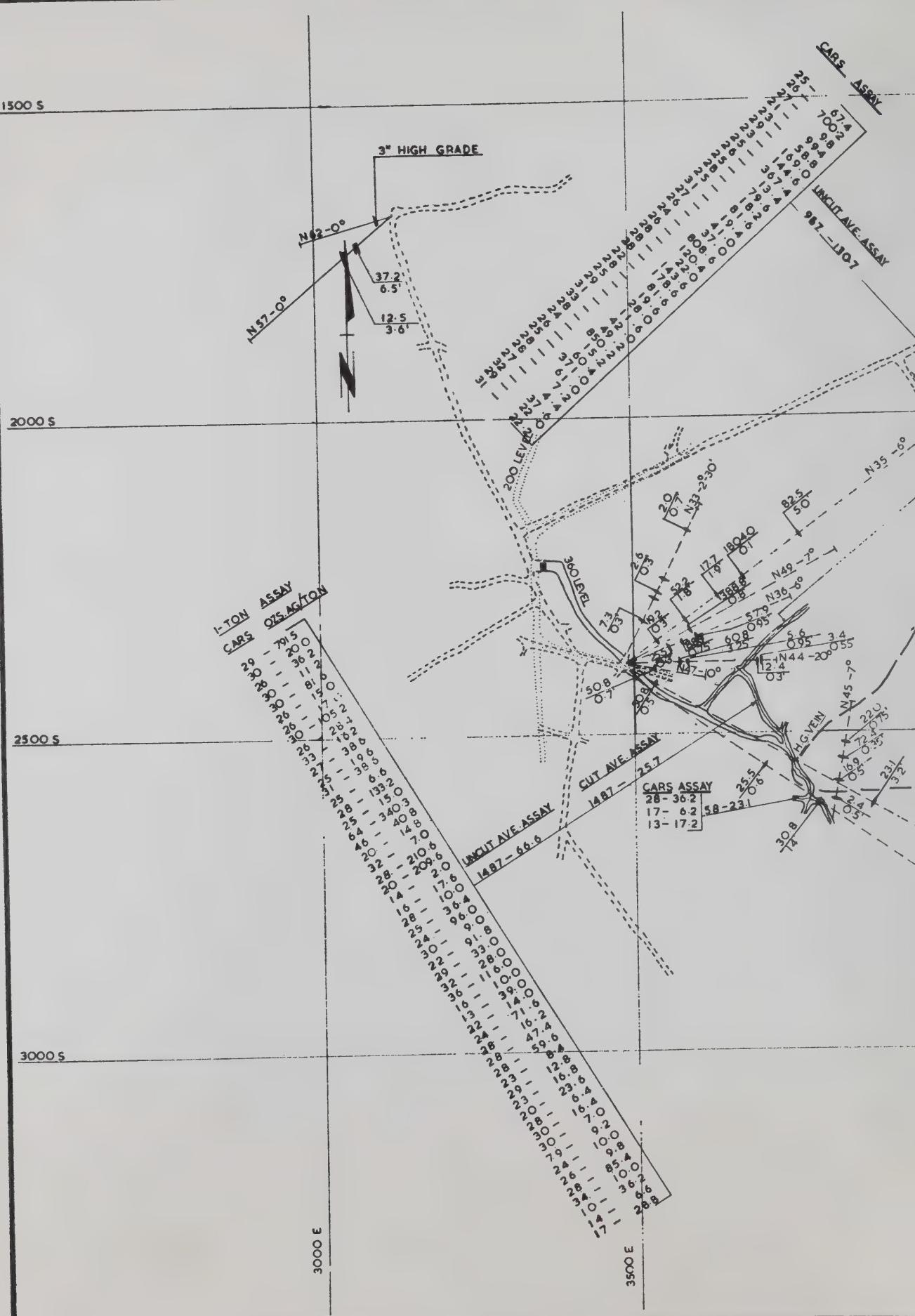
407 SHAFT

300'-LEVEL

360'-LEVEL

200'-LEVEL

Le Heup Pond



**AGNICO MINES LIMITED**

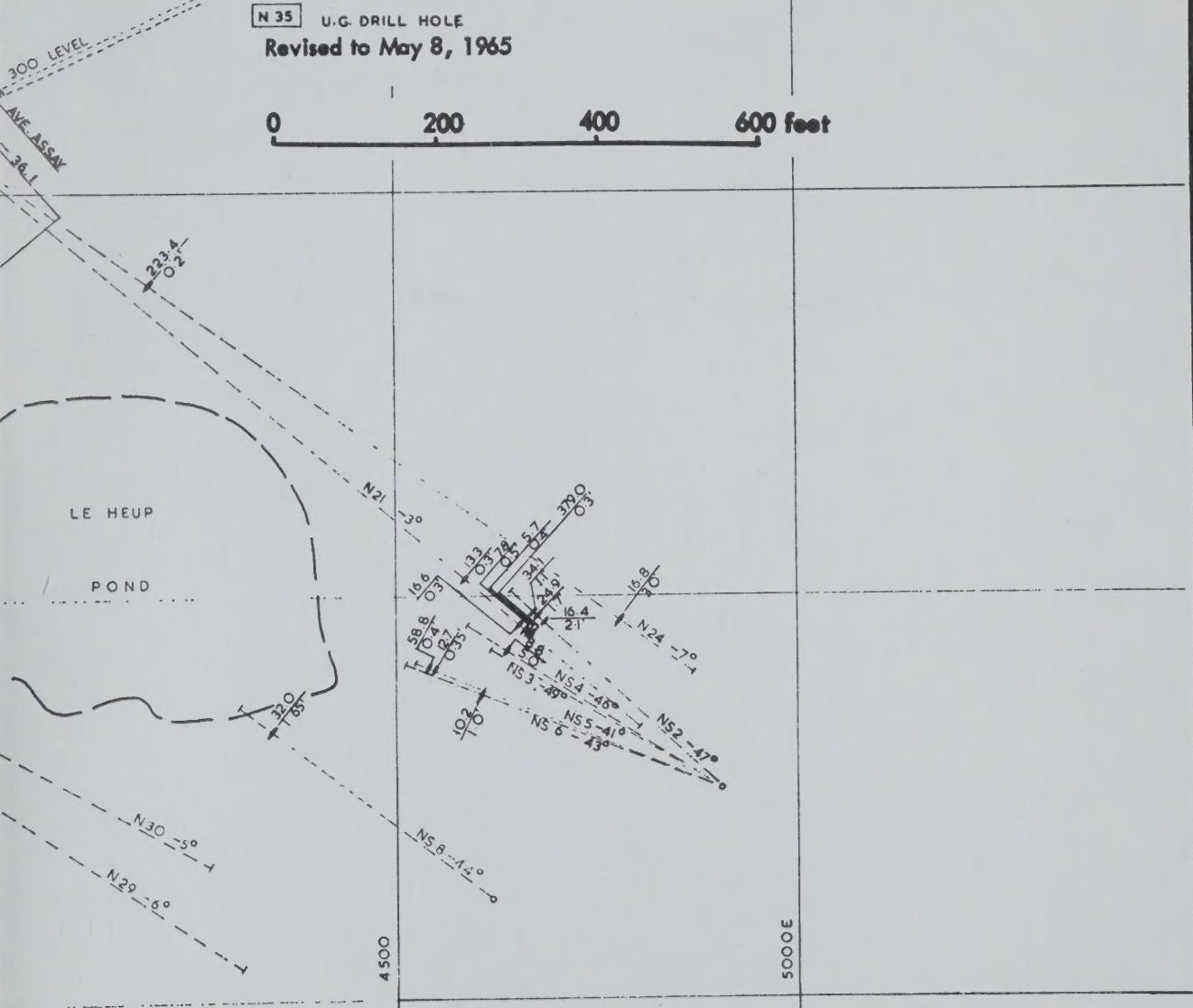
**ICU MINES  
FONNT. ONTARIO**

**COMPOSITE PLAN  
407 SHAFT AREA**

LEGEND

-  200' LEVEL
  -  300' LEVEL
  -  360' LEVEL
  - NS 3** SURFACE DRILL HOLE
  - N 35** U.G. DRILL HOLE

Revised to May 8, 1965







Cement producer 90000 ft<sup>3</sup> of material  
expels 100000 ft<sup>3</sup> per day  
cement making 3,000 - 3,500 ton of cement monthly

engineering studies are continuing  
on recovery of tailings from Colgate site  
- Tailings would not move here

Norman D. Shantz

By Oct. 2,400 Canadian } from 407  
3,200 Deser }  
Total 5,600

About half of output of production

Consideration  
14 men at their familiar annual

ground gopher-

found some copper manganites

staked 220 claims

Plan to do drilling

20 miles from railway

Selecta Trust  
700 claims